GROWING SMES: EMERGING BUSINESS OPPORTUNITIES

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OUTLINE OF PRESENTATION

• IMPORTANCE OF SMES
• SOME POLICY INITIATIVES FOR SMES DEVELOPMENT
• INVESTMENT CLIMATE ISSUES
• MONETARY POLICY IMPLICATIONS FOR SMES
• FOREIGN DIRECT INVESTMENT PERSPECTIVE
• TRADE POLICY ISSUES
OUTLINE OF PRESENTATION

• STRATEGIC INDUSTRY ISSUES
• BUSINESS ETHICS AND CORRUPTION
• SERVICE SECTOR PROSPECTS FOR SMES
• EDUCATIONAL POLICY
• IMPACT OF REGULATORY INSTITUTIONS
• PORTS
• EMERGING BUSINESS OPPORTUNITIES
IMPORTANCE OF SMEs

• JOB CREATION POTENTIALS IS HUGE
• MOBILISATION OF DOMESTIC SAVINGS
• FEEDER SERVICES TO LARGE ENTERPRISES
• PROMOTION OF INNOVATION AND TECHNOLOGICAL DEVELOPMENT
• UTILIZATION OF DOMESTIC RESOURCES
• POVERTY REDUCTION MECHANISM
SME CONTRIBUTION (%)
INVESTMENT CLIMATE ISSUES

Good macroeconomic fundamentals focusing on the following key variables:

- Low Inflation
- Stable Exchange Rate,
- Robust external reserves
- GDP Growth Performance
INVESTMENT CLIMATE

- Power supply
- Logistics (which includes transportation, road and rail systems)
- Credit conditions
- Trade policy issues
- Policy consistency
- Regulatory environment covering Standards Organization of Nigeria (SON), NAFDAC, Customs etc.
SIGNIFICANCE OF LINKAGES FOR SME DEVELOPMENT & THE ECONOMY

• Linkages between what is produced and what is consumed. We should produce what we consume; or consume what we produce.

• Linkages between SMEs and the large enterprises

• Backward integration issues

• Patronage of locally produced goods

• Linkages between the financial sector and the real economy
MONETARY POLICY AND THE SMEs

- A supportive monetary policy is critical for job creation in any economy. Current monetary stance is not favourable to SMEs.
- Tightening of monetary policy has led to interest rate hovering between 25% and 30% which is not helpful for job creation.
- Monetary Policy rate (MPR) still stands at 12%, Cash Reserve Ratio (CRR) for public sector has increased from 12% to 50%.
- All these make investment uncompetitive especially for the real sector.
MONETARY POLICY IMPACT

- It also creates situations where foreign investors have clear advantages over domestic investors
- Creates advantage for imports over domestic production
- However, one should also acknowledge the reasons adduced by the CBN for the tightening of monetary policy – price and monetary stability
MAKING FDI WORK FOR SMEs

- SME and Job issues should be incorporated into our FDI policy. Specific inputs, services and jobs should be earmarked for indigenous employees.
- Promotion of indigenous SME participation in some of the key sectors like telecoms, IT, power sector etc.
- Review of liberal foreign investment regime.
TRADE POLICY AND SMEs

• Trade policy should promote SMEs and create jobs. Uncontrolled importation of finished products should be checked to protect local industries.

• Membership of World Trade Organization (WTO) and ECOWAS TRADE LIBERALISATION SCHEME POSES CHALLENGES SOMETIMES
STRATEGIC INDUSTRIES

- Iron and Steel to help the construction sector and the automobile sector
- Petrochemical industries to help the plastics, pharmaceutical companies and related industries.
- Petroleum Refineries which with numerous by products
- Power sector to sustain operations in all the sectors.
BUILDING CAPACITY OF SMEs

• Business Management skills
• Business Information and Market intelligence
• Record keeping
• Passion for the enterprise
• Knowledge of Enterprise
• Knowledge of Market/Customer
The service sector in an economy has huge potentials for SMEs and job creation. In some instances, capital requirements are quite low as they are mostly knowledge-driven.

There should therefore be specific policies to develop the following sectors: Information & Communications Technology (ICT), entertainment industry, tourism, hospitality, mobile & online payment transactions etc.
INDUSTRY CLUSTERS

• EASE OF INFRASTRUCTURE DEVELOPMENT
• EASE OF INCENTIVES ADMINISTRATION
• ECONOMIES OF SCALE THROUGH JOINT PURCHASES AND SHARING OF FACILITIES.
• SUPPLIERS CREDIT
BUSINESS ETHICS

- The declining standard of ethics in the business environment is making it difficult for jobs to be created especially in the following areas:
  - Product faking and counterfeiting
  - Smuggling & dumping
  - Bribes and Extortions
  - Piracy and intellectual property infractions
CORRUPTION

• Public sector corruption is a major factor affecting business relationship with public sector institutions and agencies.
• There are severe leakages in the following areas: fuel subsidy, ghost workers, contract inflation, ghost pensioners etc. which affects the capacity to invest in infrastructure.
EDUCATIONAL CURRICULUM

• There is a mismatch between the curriculum of schools and the needs of SMEs other operators in the economy.
• The skills content in the educational system is very low.
• The alignment between research activities and the industry is very weak.
PORTS AND THE SMEs

- Transaction costs in our ports is reputed to be one of the highest globally. This affects operating costs of businesses and inhibits their capacity to create jobs.
- Elimination of corruption among agencies at the ports
- Streamlining customs cargo clearing procedures
- Improving port logistics including good access roads, rail service access to the ports
- Investment in cargo handling equipment by the terminal operators.
EMERGING BUSINESS OPPORTUNITIES

• POWER SECTOR REFORMS SHOULD THROW UP NEW OPPORTUNITIES FOR SMEs IN ENGINEERING, BILLING, LOGISTICS ETC

• OIL AND GAS SECTOR REFORM OFFERS NEW OPPORTUNITIES POST PIB

• SURGE IN THE FDI INFLOWS ALSO OFFERES OPPORTUNITIES
OTHER BUSINESS OPPORTUNITIES

- EDUCATIONAL SERVICES
- HOUSEHOLD/PERSONAL CARE PRODUCTS
- POULTRY
- OIL PALM PRODUCTS
- CATERING
- BAKING AND CONFECTIONERIES
- FOOD AND ALLIED PRODUCTS
OTHER BUSINESS OPPORTUNITIES

• CHEMICAL AND ALLIED PRODUCTS
• ANIMAL HUSBANDRY
• CSAH CROPS FARMING
• FOOD AND BEVERAGES
• FISH PRODUCTION
• FASHION AND ALLIED PRODUCTS
• RENTAL SERVICES
OTHER BUSINESS OPPORTUNITIES

• COMMUNICATIONS/ICT
• BUILDING AND CONSTRUCTION
• ENTERTAINMENT
• AND MANY MORE
THE GOOD NEWS ABOUT THE NIGERIAN ECONOMY

• IT’S THE LARGEST MARKET IN AFRICA
• IT’S THE BIGGEST ECONOMY IN THE WEST AFRICAN SUB REGION
• THE MACROECONOMIC FUNDAMENTALS ARE GOOD
• IT IS THE SECOND LARGEST ECONOMY IN THE AFRICAN CONTINENT
• IT HAS ONE OF THE BEST GDP GROWTH PERFORMANCE IN THE WORLD (6.5-7%)
THE GOOD NEWS

• THE COUNTRY’S DEMOCRACY HAS BEEN UNINTERRUPTED FOR 14 YEARS

• IT HAS ONE OF THE MOST ENTERPRISING POPULATION IN THE WORLD

• IT HAS A YOUTHFUL POPULATION
THANK YOU